

**FOLLOW-ON REPORT TO THE MATERIAL
LOSS REVIEW OF SUPERIOR BANK, FSB**

OIG-02-111

August 20, 2002



Office of Inspector General

The Department of the Treasury

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Abbreviations

CCFC	Coast-To-Coast Financial Corporation
MLR	Material Loss Review
OIG	Office of Inspector General
OTS	Office of Thrift Supervision
SAR	Suspicious Activity Report

*The Department of the Treasury
Office of Inspector General*

August 20, 2002

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Director
Office of Thrift Supervision

This is a follow-on report to our Material Loss Review of Superior Bank, FSB, OIG-02-040, dated February 6, 2002. That report addressed the failure of Superior Bank (Superior) of Oakbrook Terrace, Illinois. We conducted a material loss review (MLR) of Superior in response to our mandate under section 38(k) of the Federal Deposit Insurance Act. The FDIA-mandated review essentially required us to (1) ascertain the cause(s) of Superior's failure; (2) assess OTS' supervision of Superior; and (3) where applicable, recommend how such failures might be avoided in the future.

Although our original MLR report addressed the three FDIA-mandated areas of review, we were unable to fully assess certain aspects of OTS' supervision of Superior in that report. This was due to the legislatively mandated timeframes for issuing the MLR report, and delays by OTS in providing us access to subpoenaed documents. As noted in our original MLR, we continued to review these documents after the issuance of the MLR report. Our fieldwork entailed reviewing subpoenaed documents and interviewing OTS officials to determine if the documents would have altered our original MLR conclusions. We reviewed over 140 boxes of subpoenaed documents that OTS obtained from 24 individuals and entities related to Superior.

During our review of the subpoenaed documents, we focused on issues that we believe addressed the thrift's failure and the adequacy of OTS' supervision. Some of the issues included: (1)

thrift management's oversight regarding the valuation of its residual assets, (2) thrift management's concerns regarding asset concentration in its securitization activities, and (3) OTS' detection of Superior's improper accounting and valuation practices.

Fieldwork was performed at OTS Headquarters in Washington, D.C. At the end of our on-site fieldwork, OTS was still receiving documents from the subpoenaed individuals and entities. A detailed discussion of the review objectives, scope, and methodology is provided in Appendix 1.

Additionally, in this follow-on report, we have included issues found during our MLR fieldwork regarding Superior's holding company examinations and Suspicious Activity Reports (SARs). These issues were not reported in the MLR report because of our continuing work in those areas.

Results in Brief

The review of the subpoenaed documents did not bring to our attention any additional facts that would have materially altered our original MLR of February 6, 2002. However, the review afforded us an opportunity to further assess two areas related to OTS supervisory practices that warrant management attention. These areas include the holding company examination process and OTS examiner reviews of SAR filings.

We identified areas in Superior's holding company examinations that may indicate weaknesses in OTS' examination process. Questionable management transactions, such as a loan from the holding company to a principal owner's company and loan sale transactions from Superior to Coast-to-Coast Financial Corporation (CCFC), were evident at Superior's holding companies for many years, but OTS did not question them until 2001. We believe OTS did not identify or sufficiently examine these areas because OTS holding company examinations generally do not focus on indirect transactions that might have affected Superior. Instead, OTS

holding company examinations essentially focused on transactions directly between Superior and its holding company.

In addition, we could not identify from OTS reviews whether SARs involved an affiliate or entity related to Superior. We found that Superior filed over 200 SARs totaling \$44 million between April 1996 and July 2001. Because the SARs were either incomplete or unclear, we did not find many SARs relating to affiliates. We, however, believe that the number of SARs filed related to fraudulent appraisals may have been used as an early indicator of lending and appraisal weaknesses.

This report contains three recommendations aimed at enhancing the supervisory and examination process. The recommendations would enable OTS to better identify the financial risks posed to thrifts. We did not obtain OTS written comments to a draft report. Instead, as agreed with OTS the final report reflects OTS' oral comments provided at the audit exit meeting on July 30, 2002. OTS officials concurred with the reported findings and recommendations. Moreover, OTS had corrective actions either already ongoing or planned that should adequately address, if properly implemented, our reported findings and recommendations. OTS also brought to our attention several editorial and technical areas warranting clarification and or added perspective to the reported findings. These suggestions were incorporated as appropriate.

Background

Subpoenaed Documents

In August 2001, OTS issued subpoenas to 24 different parties including Superior directors, senior officers, holding companies, subsidiaries and other entities associated with Superior. OTS issued the subpoenas as a result of Superior's failure, in part, to determine the need for any subsequent enforcement actions against culpable individuals or entities who contributed to Superior's unsafe and unsound financial conditions, inaccurate

reporting of its financial condition, and numerous deficiencies in its books and records. OTS also issued subpoenas to the external auditors for material related to Superior.

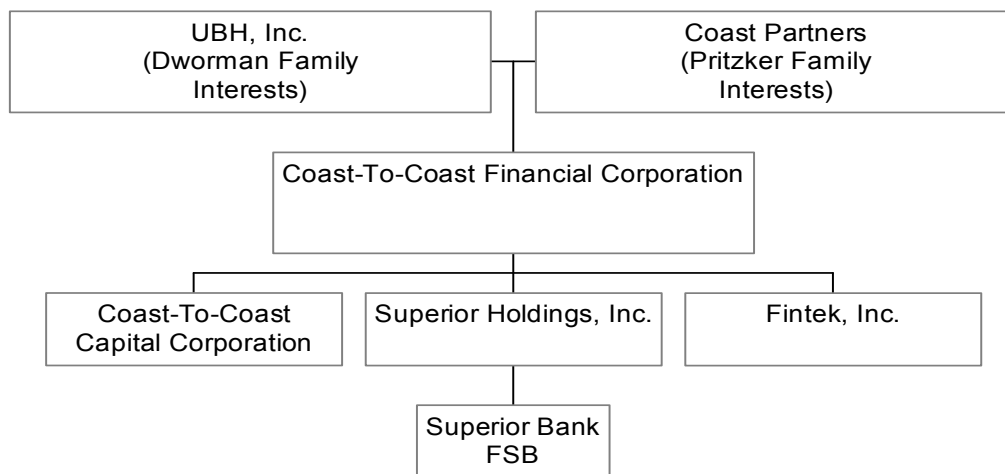
Holding Company Examinations

Superior was originally established in 1988 when the Pritzker and Dworman interest acquired Lyons Savings Bank of Countryside, Illinois. The newly formed corporate structure consisted of Superior being wholly owned by CCFC with the Pritzkers and the Dwormans each owning 50 percent of CCFC. In 1999, Superior Holding, Inc., a second-tier holding company was created between CCFC and Superior Bank.¹

Between 1993 and 2001, OTS conducted annual examinations of Superior's holding companies concurrently with the safety and soundness examinations of Superior. Consistent with OTS guidance, the holding company examinations did not cover CCFC and Superior Holdings, Inc. on a stand-alone basis. Furthermore, as shown in Chart 1, Superior had two higher tier parent holding companies above CCFC, which were UBH, Inc. and Coast Partners. Because OTS determined these companies to be CCFC's parent holding companies, OTS did not perform examinations at these entities. There were also entities above UBH, Inc and Coast Partners, but OTS did not review these entities based on a waiver agreement made between the principal owners and the former Federal Savings and Loan Insurance Corporation during the purchase of Lyons in 1988.

¹ For further information on the corporate structure see Material Loss Review of Superior Bank, FSB, OIG-02-040, February 6, 2002, p. 8.

Chart 1
CCFC and Superior's Organizational Structure



Source: OTS Supervisory files

Suspicious Activity Reports

As part of the Bank Secrecy Act, depository institutions are required to file a Suspicious Activity Report (SARs) for any suspicious transaction relating to a possible violation of law, such as money laundering, counterfeiting, and mortgage loan fraud. Regulators can also file SARs against individuals at financial institutions and affiliates. The SARs provide law enforcement agencies with a paper trail to investigate illegal activities.

Findings and Recommendations

Finding 1 Subpoenaed Documents Did Not Alter Our Original MLR

From our review of the subpoenaed documents, we did not find any documents that altered our original findings and recommendations in the MLR report. Instead, some of the subpoenaed documents provided further support to the MLR report. In that report, we noted that OTS supervision appeared

incongruous with the thrift's increasing risk profile. OTS did not expand examiner's coverage of residual assets until it was too late. Instead, OTS relied on the external auditors to ensure that Superior was properly valuing and following proper accounting standards for the residual assets. As reported in the original MLR report, OTS also did not conduct meaningful on-site examination at FINTEK Inc, a Superior affiliated company that provided the thrift with valuations and modeling for the residual assets, until 2001. This examination was long after Superior had taken an excessive risk position in residual assets beginning in 1993. Most of the prior examination coverage was conducted at Superior's offices in Illinois which comprised largely of reviewing documents provided by FINTEK and Superior's external auditors.

From our review of the subpoenaed documents, we identified information that further supported our original finding that OTS needed an earlier and more in-depth review of the external auditors working papers and extensive onsite examination work at FINTEK. Our review of the subpoenaed documents found:

- A memorandum dated June 1999 from the external auditors' workpapers noted that for Superior's case there was no difference between the cash-in and cash-out method of accounting for calculating the overcollateralization account. There was no need to discount the overcollateralization account since the cash flow was made available to the bank each month. However, as OTS later determined in 2001, Superior's application of the wrong accounting method resulted in overstating the overcollateralization account by \$270 million.²
- External auditors' workpaper documentation showed limited testing of the residuals. For example, residual valuation testing was performed on only one securitization transaction in 1999. Missing in these documents was any evidence showing the external auditors' validation of the valuation model used by FINTEK to value Superior's residual assets.

² See Material Loss Review of Superior Bank, FSB, OIG-02-040, February 6, 2002, p. 12

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- An external auditors' document dated April 1999 questioned Superior's assumptions in calculating the residual assets. The external auditors noted that Superior was applying a discount rate and constant prepayment rate assumptions different from those of other market participants. Superior applied the same discount rate and prepayment assumptions as in the previous year, despite the fact that market rates had increased. At the July 30, 2002 audit exit meeting, OTS officials stated that had not been aware of the existence of this particular document prior to Superior's failure. Consequently, it would not have been subject to an examiner's review during an examination.

Overall, these examples further support our MLR conclusions that an earlier review of the external auditors workpapers was warranted and might have raised OTS concerns on how Superior was valuing its residual asset account. Perhaps, such a review may have also convinced OTS that an on-site review of FINTEK model was warranted earlier.

Recommendation

We are not making any recommendations for this finding because the MLR recommendations address the issues.

Finding 2

Questionable Holding Company Transactions Not Identified

Prior to Superior's failure, OTS did not fully analyze holding company transactions. By limiting their review to certain entities, OTS holding company examinations overlooked questionable transactions. For example, we found that examiners did not analyze major related party transactions by holding companies other than their direct connection with the subsidiaries and thrift. OTS eventually detected and questioned these and other

questionable holding company transactions, which occurred, in some cases, as far back as 1996.

These transactions include: 1) a \$70 million loan from the holding company to a principal owner's company, 2) a \$36.7 million gain on the resale of loan sale transactions from Superior to CCFC, 3) nearly \$170 million of cash dividend payments to CCFC, and 4) payment of bonuses and compensation to Superior's executives.

At the time of Superior's examinations, OTS holding company examination guidance notes that holding companies should not be examined on a stand-alone basis; rather they should be analyzed for the effect the holding company complex has on the thrift. These examinations are risk-focused, whose primary examination objective is to examine the holding company and other affiliates in the areas that pose the greatest risk to the thrift subsidiary. The examinations focus primarily on the risks that a holding company posed to the safety and soundness of its subsidiary thrift. For instance, a review of a thrift's transactions with its affiliates is a critical component of the thrift and holding company examinations since these transactions can significantly effect the thrift's operations and its overall financial condition.

OTS' examination procedures, however, did not appear to emphasize transactional activities within and above the holding company structure to determine the indirect financial effect on the thrift. Current procedures primarily focus on the risks of the direct transactions between the holding company and the thrift, and how the transactions affect the thrift's financial condition. However, we believe that there are times when transactions within the holding company structure can indirectly impact a subsidiary thrift's safety and soundness.

Holding Company's 1996 \$70 million Note Not Known Until 2001

OTS was not aware of a 1996 \$70 million note from CCFC to its parent company, UBH Inc., until 2001 during their deliberations with Superior's owners over the capital restoration plan. CCFC included the note in its 1997 quarterly regulatory filing for holding

companies. But we found no indication from the holding company examinations that either CCFC officials had been questioned or records had been reviewed regarding the note. We also did not find any indication that OTS had inquired about the non-payment of the note or interest despite the note having a December 1999 maturity date.

An OTS official informed us that OTS' focus is on those transactions that would affect the thrift. If the examiners determine that the funds up-streamed to the holding company do not present a problem to the thrift, there is no further supervisory interest or concern as to how the holding company would use the funds. However, we believe if the \$70 million note had been repaid, CCFC might have had the funds to repay some of its 2001 obligations to Superior. The funds, in turn, may have assisted Superior to supplement capital and ultimately reduce the loss to the insurance fund.

It should be noted that we obtained the specifics of the holding company note to UBH Inc. from FDIC supervisory files and not OTS supervisory files during our original MLR fieldwork. Moreover, our intention of mentioning the note was not to criticize the CCFC holding company examinations but rather to illustrate the potential need to examine holding company transactions that may indirectly affect a thrift's condition.

Disallowed Loan Sales to the Holding Company

OTS was not aware until 2001 that CCFC had unduly profited from a series of loan transactions between Superior and the holding company. The earliest transactions occurring in June 1999 were for \$4.9 million of servicer advances. The majority of the other transactions occurring in the second half of 2000 related to loan sale activities. CCFC purchased loans from Superior and resold them at a higher price. CCFC appeared to have benefited from the terms and conditions of the transactions that were not at arm's length and were detrimental to the bank. These transactions violated several regulations (§563.41(e), 12 CFR §563.42,) regarding transactions with affiliates. OTS required CCFC to repay

the disallowed transactions. CCFC's obligations to Superior resulted in a \$36.7 million receivable on the thrift's books.

Although OTS examiners reviewed affiliate transactions as part of Superior's annual holding company examination, OTS did not object to the transactions until May 2001. By focusing on the direct transactions between Superior and CCFC, the examinations may not have identified CCFC's subsequent loan sales at a profit. Consequently, we believe that because OTS examinations focused on direct transactions between the thrift and the holding company, the examinations did not recognize these transactions as a violation that adversely impacted Superior's financial condition.

In our original MLR, we noted OTS identified these transactions during the 2001 examination and required CCFC to repay Superior. CCFC committed to reverse the transactions, but claimed that cash shortages prevented them from doing so immediately. Ultimately, recouping the \$36.7 million had become dependent on the owners implementing the capital restoration plan, which did not materialize. The receivable was not repaid and eventually written-off as a loss, which contributed to Superior's insolvency in July 2001. Aside from OTS' recovery efforts in 2001, we believe the nearly \$5 million in servicer advances in 1999 may have provided OTS with an earlier indicator of these illegal transaction during the holding company examinations.

Cash Dividends Paid to CCFC

Although Superior's payment of dividends to its holding company was within OTS regulatory guidance, the fact that cash payouts were largely based on imputed earnings arising from the subprime loan securitizations eventually had an unfavorable effect on Superior's true capital position, as noted in the original MLR report. As shown in Table 1, from 1992 through 2000, Superior paid cash dividends to CCFC totaling nearly \$170 million. This accounted for 90 percent of CCFC's income. It was not until 2000 that OTS realized non-cash income had masked Superior's actual operating losses from its core operations and restricted Superior from issuing dividends.

Table 1:

**Superior Dividend Payments to CCFC
(\$ in millions)**

Fiscal Year	Cash	Non-cash	Total
1992	\$1.5		\$1.5
1993	\$3.9		\$3.9
1994	\$7.9	\$12.1	\$20.0
1995	\$6.7	\$0.5	\$7.2
1996	\$16.6		\$16.6
1997	\$43.2		\$43.2
1998	\$40.8		\$40.8
1999	\$34.1		\$34.1
2000	\$15.0	\$18.6	\$33.6
2001			\$0.0
Total	\$169.7	\$31.2	\$200.9

Source: OTS Files

According to OTS supervisory records, Superior's dividend payments were within OTS guidance because it did not result in lowering Superior's capitalization below the "adequately capitalized" category. Further records review showed that dividends were within Superior's internal policy of limiting dividends to 50 percent of quarterly net income and of maintaining capital at the "well capitalized" category.

However, as we previously noted in our MLR report, Superior may have overstated its capital levels by improperly including the residual reserves in the allowance for loan and lease losses.³ The overstated capital may have allowed Superior to pay more dividends than its own dividend policy and capital level goals. The inflated allowance for loan and lease losses and the subsequent dividend payouts likely contributed to capital depletion.

³ See Material Loss Review of Superior Bank, FSB, OIG-02-040, February 6, 2002, p. 16

Bonus Compensations Paid by Holding Company After Prompt Corrective Action Restrictions

Superior might have circumvented the intent of OTS' enforcement action by paying bonuses to Superior executives with CCFC funds. In the MLR report we noted that from March to July 2001, a total of \$220,000 in bonuses were paid to 10 senior executives from Superior Bank. However, our subsequent review indicated that CCFC down-streamed some of the funds to Superior to cover the payment of bonuses. This may have violated the Prompt Corrective Action mandatory restrictions against paying bonuses to thrift senior executives. Under this restriction, Superior was required to limit payments to senior executives to the base salary over the preceding 12 months. According to an OTS official, they were not aware of the bonuses.

This additional observation does not alter our two recommendations in the original MLR report. The two recommendations requiring OTS to pursue appropriate enforcement actions and to assess the adequacy of supervisory controls used to ensure thrift compliance with PCA restrictions are still appropriate.

Recommendations

1. We did not attempt to determine whether the apparent gap in the examination of transactions at CCFC (representing the \$70 million) and between Superior and other holding company affiliates (representing the \$36.7 million) were indicative of other holding company examinations. However, we did find from reviewing the recently revised holding company examination procedures, as of April 18, 2002, that similar transactions would still not be subject to examiner review. Accordingly, we recommend that the Director of the Office of Thrift Supervision evaluate whether the current revised holding company examination procedures need to be expanded to describe the conditions warranting examiner coverage of holding company transactions that indirectly affect the subsidiary thrift. If applicable, determine the minimal examination procedures

needed to assess the impact these indirect transactions might have on a thrift's financial condition and capitalization.

2. For those institutions whose business operation is focused on securitizations and its earnings make-up is comprised of mainly imputed earnings, we recommend that the Director of the Office of Thrift Supervision instruct the examiners to evaluate the institution's quality of earnings when assessing if an institution's dividend might have an adverse impact on capital.

Management Comments

At the July 30, 2002 audit exit meeting, OTS generally concurred with our reported findings and recommendations. With respect to recommendation 1, OTS had already begun working on management actions in line with our recommendation. For example, OTS is drafting additional guidance to include instructions regarding holding company transactions that indirectly affect a thrift. In terms of the second recommendation, OTS generally concurred with the recommendation. An OTS official said that OTS is developing internal guidance regarding the evaluation of the financial institution's quality of earnings.

OIG Comments

We believe OTS' ongoing or planned corrective actions, if properly implemented, are responsive to the recommendations.

Finding 3

OTS' Detection of Insider Abuse and Fraud

During our original MLR fieldwork we found that OTS examination reports did not raise material concerns over potential fraud at Superior, and the supporting examination files did not suggest that examiners suspected or pursued fraud prior to Superior's closing in July 2001. Although OTS reviewed SARs during the later Superior examinations for fraud and insider abuse, we believe that the incidences identified from SARs may also be used as an early

indicator of weakness and practices that may have adversely affected Superior's earnings and assets.

From OTS and FDIC records, we determined that Superior had filed approximately 220 SARs between April 1996 and July 2001. These SARs reflected a gross potential loss exposure of \$44 million. Of this amount, about \$33 million was related to mortgage fraud and \$7.3 million to auto loan fraud. According to OTS examination reports, several SARs entailed large exposures. For example, one examination in 2001 reported 18 SARs with a total exposure of \$23.4 million, the largest one totaling \$8.8 million. The majority of significant SARs indicated fraudulent appraisals and/or broker and seller collusion.

OTS examination reports show that the large dollar SAR exposures were discussed with Superior's management. Management indicated to OTS that the high incidences of SARs were due to the nature of subprime lending, and that Superior had instituted fraud prevention classes. Also, Superior management claimed that insurance coverage would limit their losses.

Given that OTS had issued subpoenas to CCFC and some of its affiliates, we also attempted to identify whether any of the 220 SARs involved the subpoenaed affiliates or related entities. Many of the SARs were incomplete or unclear, and we did not attempt to obtain any supporting documentation that Superior might have retained for the filed SARs. As a result, we could clearly identify only four SARs related to an affiliate. Of the four, one involved a \$1 million exposure from suspected bribery between a loan broker and an underwriter. The remaining three entailed insignificant dollar amounts and involved the subprime loans.

Given the absence of comparative peer group data, we could not determine if the amount and number of Superior's SARs was normal or indicative of unusually high suspicious activity. However, we believe that the SARs were possibly early indicators of lending and appraisal weaknesses. These SARs possibly reflected increasing credit losses due to suspicious activities beyond what is normally associated with borrowers. As such, this

aspect of Superior's credit losses may have provided examiners one more reason to focus on the credit loss assumptions used to support the residual asset valuations. We also could not assess whether OTS examiners devoted sufficient attention to this aspect of Superior's transactions. However, there were indicators as to why reviewing affiliated transactions may not have been pursued. From our original MLR, we determined that Superior had a wholesale loan network of about 800 to 1000 brokers.

Recommendation

3. We recommend that the Director of OTS assess whether sufficient examination guidance exists as to how SARs might be used beyond detecting fraud and expanding to affiliate transactions and how reported suspicious activities might reflect or impact normal safety soundness areas, such as credit risk and asset valuations as in Superior's case. This assessment might include the relevant indicators and or conditions when SARs should be examined in greater detail.

Management Comment

At the July 30, 2002 audit exit meeting, OTS officials generally concurred with our recommendation and have committed to undertake an assessment of this area.

OIG Comment

We believe that the intent of OTS' management action adequately addresses the recommendation.

* * * * *

We would like to extend our appreciation to OTS for the cooperation and courtesies extended to our staff during the audit. Major contributors to the report are listed in Appendix 3.

/S/

Benny W Lee

Regional Inspector General for Audit

Appendix 1

Objectives, Scope, and Methodology

We reviewed the subpoenaed documents to determine if the documents would have altered our original MLR report. OTS issued the subpoenas in July 2001. We discussed the contents with OTS and requested copies of the subpoenas in November 2001 and were provided access in December 2001. We did not review these documents during our MLR due to legislatively mandated timeframes for issuing the MLR and due, in part, to delays by OTS in providing us with the subpoenaed documents. We indicated in our MLR report that we would review the subpoenaed documents and issue a subsequent report.

OTS issued the subpoenas as a result of Superior's failure to determine the need for any subsequent enforcement actions against culpable individuals or entities that contributed to Superior's failure. OTS also issued subpoenas to the external auditors for material related to Superior. In addition, during our MLR, we identified several matters that warranted management attention but were not originally reported due to time constraints. Specifically, we reviewed OTS' holding company examinations and SARs related to Superior.

To address the objectives, we reviewed the subpoenaed documents relating to the 24 subpoenaed individuals and entities. As of April 2002, we reviewed all 148 boxes of subpoenaed documents obtained by OTS headquarters in Washington D.C. The subpoenaed documents covered the period from 1995 to the thrift's closure in July 2001. At the end of fieldwork, OTS was still receiving documents from the subpoenaed individuals and entities. We conducted our fieldwork from March to July 2002, in accordance with generally accepted government auditing standards

As noted above, we also conducted a review of the holding company examinations and SARs. Fieldwork was conducted at OTS HQ in Washington DC and its Regional Office in Chicago, Illinois from August 2001 to January 2002. We also reviewed all subpoenaed documents relating to holding company structure and identifying SARs involving employees, subsidiaries, and affiliates and tracing these names to the subpoenaed documents.

Appendix 1

Objectives, Scope, and Methodology

We reviewed the subpoenaed documents to determine if they contained information that would have altered our MLR report. Specifically, we focused on three issues that was reported in the MLR: (1) Superior management's oversight regarding the valuation of its residual assets, such as the discounting of the overcollateralization account, (2) thrift management's concerns regarding asset securitization concentration in its securitization activities, and (3) OTS' detection of Superior's improper accounting and valuation practice, including the reliance on external auditors' work.

Overcollateralization Account

With respect to OTS' examination coverage of Superior's overcollateralization account, we reviewed all subpoenaed documents, focusing specifically on the 1998 and 1999 documents. We focused on these years because it represented the years before OTS discovered that Superior was not discounting the overcollateralization account and the years subsequent to the implementation of Financial Accounting Standards No. 125 in 1997. We attempted to identify correspondence discussing Superior's use of the cash-in method and how it was different from the regulations, and analyses or reconciliations of the overcollateralization line item in the financial statement.

Asset Concentration

In addressing the asset concentration issue, we focused on board minutes, emails, and any other correspondence. We attempted to identify documents noting Superior's concerns regarding its concentration in residual assets or the risk of the securitizations and residuals.

Appendix 1

Objectives, Scope, and Methodology

Reliance on External Auditors

To address our original MLR finding regarding OTS' undue reliance on the external auditors, we focused on the subpoenaed external auditor's documents.

Holding Company Examinations

To complete our initial holding company examination analysis, we reviewed the subpoenaed documents in conjunction with the work from our original MLR. At that time, we had reviewed OTS holding company examinations and supporting documents for Superior. Subsequently, after identifying that the 24 subpoenas included holding companies above CCFC, we expanded our work by reviewing subpoenaed documents relating to Superior's holding company structure, including intercompany receivables and payables debt transactions, and advances. We also reviewed documents relating to any compensation, dividends, and loans received directly or indirectly from Superior and CCFC.

Suspicious Activity Review

During our MLR, to assess whether OTS raised concerns over potential fraud at Superior, we obtained SARs from OTS and FDIC records and identified individuals and entities involved in each of the SARs. We found that Superior had filed a substantial number of SARs. We also attempted to identify SARs involving employees, subsidiaries and affiliates of Superiors by tracing these names to the subpoenaed documents.

Appendix 2

Management Comments

We did not obtain OTS written comments to a draft report. Instead, as agreed with OTS the final report reflects OTS' oral comments provided at the audit exit meeting on July 30, 2002. OTS officials concurred with the report findings and recommendations.

Appendix 3

Major Contributors To This Report

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Appendix 4

Report Distribution

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